

SUMMARY

The Brazilian apparel market expanded 28.7% in 2005, and apparel accessory imports have seen continued growth over the past five years. Apparel accessory imports for men and women's accessories in 2005 exceeded US\$17 million, of total apparel imports of US\$170 million. Many American products are successful in Brazil because of their strong brand image and high quality. This report will focus on the following apparel accessories: hats, gloves, pocket-handkerchiefs, shawls, scarves, ties, and hosiery.

MARKET OVERVIEW

Brazil's apparel accessory market is one of the largest markets in the world, and 90 percent of domestic production goes towards this consumption. Within the apparel accessory sector, China is leading exporter to Brazil, with over 40 percent market share; Hong Kong, 10 percent; Spain 8 percent, Italy 7 percent, India 4 percent, Argentina 2 percent and the United States 2.6 percent. Though low in the rankings, U.S. products have appeal for their quality and brand image.

The outlook for the apparel accessories market is generally positive, as most Brazilian manufacturers and retailers predict growth in the coming years. In the men's apparel market, retail sales for accessories (including socks) were estimated at US\$95 million in 2004. Estimated sales of women's accessories (including hosiery) were US\$230 million for the same period.

A review of some key accessories is as follows:

- **Hats:** There are two main divisions of the hat market in Brazil: inexpensive, one-size-fits-all manufactured hats; and higher-end, custom- or hand-made hats. In general, Asian manufacturers supply the market with the less-expensive, mass-produced hats. There are also some imports from the United States, which appeal to consumers because of their higher quality. This segment, though, is very price-sensitive.

The market for high-end, custom hats in Brazil is a small niche market, but it has seen growth in recent years. In general, small Brazilian firms dominate this market, despite competition from European hat-makers. Brazilian companies have the advantage of being closer to their customers and can thus, provide custom made, fitted hats. Quality-wise, their products tend to be similar to European imports, but they can be offered at lower prices. American companies interested in this market face stiff competition from Asian companies, but have an advantage over Asian exporters because of safeguard measures put in place against China.

- **Pocket handkerchiefs & ties:** Sales have been slow for pocket-handkerchiefs. However, the recent resurgence of formal business attire is expected to increase sales for both ties and pocket handkerchiefs. From 2003-2004, tie imports decreased 10 percent, to US\$2.35 million, as workers moved to more informal in their work dress. In terms of handkerchief imports, they still represent a small portion of total handkerchief imports from the U.S. The largest segment is cotton handkerchiefs, followed closely by polyester products. Imports of silk handkerchiefs have grown along with cotton handkerchiefs.

- **Gloves:** Though known for sunshine, seasonal cold weather in Brazil's south means the country demands gloves, in all styles and price ranges. Most Brazilians own only a few, from thick-warm-insulated gloves to high-quality leather, fashionable velvet, or beaded. The largest demand is for less-expensive, utilitarian, cold-weather gloves. However, there is also a demand for lightweight stylish gloves used as a fashion accessory. Leather gloves have enjoyed strong popularity, which should continue for some time.

Less-expensive, utilitarian, cold-weather gloves are usually made domestically or imported from Asia (China is the number one glove exporter to Brazil). Higher-quality, more fashionable styles are often imported from Europe. Knitted gloves and mittens is the best area for U.S. companies interested in exporting to Brazil. Knitted cotton and synthetic fiber products, as well as leather products, have seen the strongest growth in the past years.

- **Belts:** The belt market in Brazil has grown in recent years, and this trend is expected to continue. The new, menwear-inspired suits that are becoming ever-more popular for women should increase demand for belts. In past years, fewer pants and shorts for women have had belt loops. New trends are bringing back those loops and belts will become a necessary accessory. The most popular material for belts is leather, and styles produced by Brazilian manufacturers often mirror the styles of popular haute-couture brands and current trends. The major suppliers of belts to Brazil are Chinese and for leather belts in particular, Brazilian.
- **Hosiery and Socks:** The Brazilian market for hosiery was valued at nearly US\$587 million for 2004. Many large hosiery and sock manufacturers are based in the São Paulo State. All types of socks are popular in Brazil and there is a strong market for pantyhose and fashion tights. In 2004, women's hosiery retail sales reached 230,000 units, which represents more than 6 percent of all spending for women's apparel. A little more than half of those sales were for pantyhose. Men's retail expenditures for socks in 2004 reached 95,000 units, accounting for 2 percent of all spending for men's apparel.
- **Shawls and scarves:** Scarves and shawls are popular in the same regions, and during the same timeframe, as the above-discussed gloves. Cold weather increases demand for men and women's wool and wool-blend scarves, and European-influenced styles explain why silk scarves are also quite popular among women. Imports from the U.S. for silk scarves, shawls, veils, mufflers, and mantillas, doubled in 2004 to US\$309,000. Although imports from the U.S. in almost all categories of scarves and shawls have registered substantial growth in the past five years, silk and wool products have increased most dramatically, particularly for well-known brands. Brazil has no shortage of neckwear manufacturers, but U.S. imports are very strong as they can often be offered at lower prices than the equivalent Brazilian products because of large-scale production.

MARKET TRENDS

The accessories market in Brazil is greatly influenced by current fashion trends. Many accessory manufacturers and retailers believe that recent changes in the market have been brought about largely by the trend toward more casual dress in the workplace. Examples of that would be increased demand for inexpensive, casual styles of hosiery and socks, and demand for woven fabrics ties, which go well with business-casual.

Formal business attire, though, may comeback strongly, partly because young Brazilian suit designers who want to resuscitate this market. Tie manufacturers cited the recent return in popularity of striped and pinstriped patterns as signs of increased interest in formal wear, which should create opportunities in the tie, belt and handkerchief markets. Although thin leather belts are most popular, the demand for chain belts is increasing.

Street wear is also very popular among younger consumers. This trend, which originates mainly from California and New York, leaves the door wide open to American imports, as Brazilian manufacturers have just entered that market. With this new trend, belts, visors, and nylon packsacks and bags have also become fashionable items. Additionally, specialty hosiery such as fishnet stockings is also popular, pointing to a more daring, bold look among younger consumers. This retro-feel fashion will continue into the fall (the winter time in Brazil is from June to September), and many style magazines also forecast popularity in fedora hats and a resurgence of fur and synthetic fur, stoles or boas.

Opportunities may exist for U.S. manufacturers of insulated, cold-weather gloves, if they can supply them at a competitive price. Additionally, there is demand for high-quality, fashionable gloves, in leather or other fabrics, which are usually sold through upper-end retailers.

COMPETITION

Asian countries represent stiff for U.S. companies because of their pricing, but American brands are very popular in Brazil and enjoy great success because of strong brand image and their reputation for quality. To compete, U.S. companies need to find the right partner – one with the right contacts and a clear vision of the market. Because of the tough price competition, U.S. businesses may need to accept that their sales will be low in volume through specialty stores. Putting the time and energy into finding the partner who will clearly understand your products and the proper venues through which to sell them is extremely important.

SALES PROSPECTS

To be successful, accessory suppliers need to keep abreast of emerging trends in order to take advantage of new opportunities that may present themselves. Two primary requirements for success are value and availability and improved quality. Generally, the Brazilian economy is performing well, with 2.5% GDP growth in 2005 and an estimated 4% in 2006. Consumer power continues to increase, and interest rates have been falling. Despite this good news, taxes and tariffs continue to slow the economy's potential, and Asian competition in this and other industries will pose a challenge for U.S. companies.

DISTRIBUTION CHANNELS AND MARKET ACCESS

The southeast of Brazil makes up 80% of apparel consumption. Retail channels include specialized stores, retailers, wholesalers and department stores. Most Brazilian manufacturers sell directly to

stores using representatives, and foreign firms use local agents or distributors.

MARKET ISSUES AND OBSTACLES

According to local trade contacts, the Brazilian government does not require specific technical standards. However, U.S. products that have certifications issued in the United States are better accepted by high-end clients such as financial institutions and some industrial and commercial establishments. Translating technical literature into Portuguese is mandatory.

All imports in Brazil are subject to a number of taxes and fees, which are usually paid during the customs clearance process. There are four main taxes that account for the bulk of importing costs:

- **Import duty:** a federal tax levied on foreign products that enter Brazilian territory, calculated on top of the CIF value. For textile products, import duty ranges from 10 to 25 percent depending on the product. The average duty rate is 15 percent.
- **Industrial Products Tax (IPI):** a federal tax levied on both domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer in the case of domestically produced products, or at the point of customs clearance in the case of imports. The IPI is calculated on top of the CIF value plus import duty. There is no percentage from IPI for textile products.
- **Merchandise Circulation Tax (ICMS):** a state government value-added tax, applicable to both imported and domestic products. The ICMS tax on imports is assessed on the CIF value, plus import duty, plus IPI. The ICMS rate varies among states – in São Paulo State it is 18%, but in most states it is 12%.
- **PIS and Cofins:** calculated in a very complicated cascading manner, these fees usually sum up to approximately 12.63 percent of the value of the CIF.

Though Brazilian manufacturers must also pay the IPI, ICMS, PIS and Cofins taxes, U.S. companies should keep in mind that as because the taxes are calculated by compounding on top of the CIF value plus the import duty, the overall IPI, ICMS, PIS and Cofins of imported products are significantly higher than locally manufactured products. Also, one should not forget that when distributors and trading companies sell the product, they are compensated for those taxes collected at the time of import.

In addition to those taxes and tariffs discussed above, there are other costs and fees such as the warehousing, terminal handling fees, customs brokers' union fee, customs brokerage fee, transportation and bank costs. The total value of all those fees and taxes sum up to approximately 78 percent of the FOB price.

KEY CONTACTS, PUBLICATIONS, AND UPCOMING TRADE SHOWS

To obtain lists of key contacts in the apparel industry, such as manufacturers, distributors, or retailers, as well as a list of key publications and trade shows, contact Denise Barbosa, the apparel specialist at the US Commercial Service in Brazil, at Tel: (5511) 5186-7390, Fax: (5511) 5186-7382, E-mail: denise.barbosa@mail.doc.gov.

NOTE: This report reflects figures that are part of the Brazilian database for imports from the United States, including US companies that assemble/manufacture their products outside the US.

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing

expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.

International copyright, U.S. Department of Commerce, 2006. All rights reserved outside of the United States